

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2106 - SB 2395

March 4, 2014

SUMMARY OF BILL: Prohibits bed and breakfast, homestay, and lodging establishments from operating in Tennessee without a business license and paying all applicable taxes, including but not limited to, the occupancy tax and sales tax. Requires the Department of Health to assess a fine of \$50.00 per day of rental made in violation of this section.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$25,500/Recurring

**Increase State Expenditures – \$4,400/One-Time
\$60,900/Recurring**

Assumptions:


- According to the Department of Revenue (DOR), and based on the definition of “business” in Tenn. Code Ann. § 67-4-702, and the definition of “hotel” in Tenn. Code Ann. § 67-4-1401, bed and breakfast, homestay, and lodging establishments are already required to have a business license and pay all applicable taxes.
- According to the Department of Health (DOH), this bill will require the DOH to keep track of business licenses usually issued by county or municipal governments, and payments of sales taxes, occupancy taxes, and all other taxes for all bed and breakfast establishments, homestays, and lodging establishments across this state.
- The Department will also have to determine whether any of the establishments are operating without a business license and whether such establishments are delinquent with their payment of applicable taxes. The Department would further be required to determine how long any payments are delinquent and then attempt to levy and collect fines based on the number of days the taxes are delinquent.
- According to the Department, this bill will require an additional Administrative Services Assistant 3 position to monitor, track, and contact establishments in noncompliance and to administratively carry out the requirements of this bill. The one-time increase in state expenditures associated with this position is estimated to be \$4,400 for computer related (\$1,700) and office landscaping expenses (\$2,700); the recurring increase in state expenditures is estimated to be \$60,892 for salary (\$32,904), benefits and insurance

(\$13,788), administrative cost allocation (\$7,900), office space lease (\$4,100), network and communications (\$1,600), and supplies (\$600).

- Any increase in expenditure to DOR to periodically provide DOH a list of establishments fined by DOR for delinquent payment of taxes is estimated to be not significant.
- The Department currently permits 1,656 lodging and 62 bed and breakfast establishments and homestays, for a total of 1,718 establishments.
- Based on information provided by DOH, it is assumed that one percent of such establishments (or 17) would be in noncompliance with this bill for an average of 30 days. Therefore, the recurring increase in state fee revenue is estimated to be \$25,500 (17 x 30 x \$50.00).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

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